

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Benton	County Berrien
Audit Date December 31, 2005	Opinion Date April 28, 2006	Date Accountant Report Submitted To State: June 15, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085-2180
Accountant Signature 			

Charter Township of Benton

**Financial Report
with Supplemental Information
December 31, 2005**

Charter Township of Benton, Michigan

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Charter Township of Benton, Michigan

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Independent Auditor's Report

To the Members of the Township Board
Charter Township of Benton

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Benton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton, Michigan as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the Township Board
Charter Township of Benton

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Benton, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

April 28, 2006

Charter Township of Benton, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Benton, Michigan's (the "Charter Township") financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended 2005. Please read it in conjunction with the Charter Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlight for the year ended December 31, 2005:

- The General Fund performed much better than anticipated. Revenues for 2005 came in \$328,000 over budget lead by higher interest income of \$155,000. During 2005, General Fund expenditures came in 14 percent below or \$444,000 less than budget. The increase in revenues was used to transfer an additional \$337,000 to the Municipal Building Fund to be used for future building projects. Overall, the General Fund performed \$448,000 better than budgeted, reducing an anticipated 2005 operating loss from \$725,000 to \$277,000.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township as a whole and present a longer-term view of the township finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Charter Township's operations in more detail than the government-wide financial statements by providing information about the Charter Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Charter Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Benton, Michigan

Management's Discussion and Analysis (Continued)

Benton Charter Township as a Whole

The following table shows, in a condensed format, the current year's net assets, comparable to prior year.

	Governmental Activities		Business-type Activities		Total	
Assets	2005	2004	2005	2004	2005	2004
Current assets	\$ 7,319,734	\$ 7,450,790	\$ 9,598,276	\$ 8,901,768	\$ 16,918,010	\$ 16,352,558
Noncurrent assets	3,286,733	3,411,613	8,263,506	8,722,387	11,550,239	12,134,000
Total assets	10,606,467	10,862,403	17,861,782	17,624,155	28,468,249	28,486,558
Liabilities						
Current liabilities	5,292,173	5,386,196	379,699	312,864	5,671,872	5,699,060
Long-term liabilities	1,768,681	1,882,672	3,230,000	3,325,000	4,998,681	5,207,672
Total liabilities	7,060,854	7,268,868	3,609,699	3,637,864	10,670,553	10,906,732
Net Assets - Invested in capital assets						
Net of related debt	1,966,733	1,969,009	4,812,094	5,169,654	6,778,827	7,138,663
Restricted	391,461	501,556	-	-	391,461	501,556
Unrestricted	1,187,419	1,122,970	9,439,989	8,816,637	10,627,408	9,939,607
Total net assets	<u><u>\$ 3,545,613</u></u>	<u><u>\$ 3,593,535</u></u>	<u><u>\$ 14,252,083</u></u>	<u><u>\$ 13,986,291</u></u>	<u><u>\$ 17,797,696</u></u>	<u><u>\$ 17,579,826</u></u>

The financial position of the governmental activities has decreased slightly during the year. The Charter Township management has maintained fund balance levels by implementing cost saving measures. All Charter Township employees have now been switched from a \$3.00 prescription drug card to a \$10.00 generic and a \$20.00 brand name drug card. In addition, many of the employees are also now required to pay a portion of their health insurance premiums. The most significant decrease in governmental net assets was in the net assets restricted for community development projects. The Charter Township contributed approximately \$124,000 of community development funds during 2005 to the Airport Entrance Project in conjunction with Cornerstone Alliance, Berrien County Landfill, Southwest Michigan Airport, Berrien County, and other private investors.

Charter Township of Benton, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net assets, comparable to prior year:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 864,444	\$ 964,615	\$ 3,454,545	\$ 3,396,843	\$ 4,318,989	\$ 4,361,458
Operating grants and contributions	100,903	150,565	-	-	100,903	150,565
Capital grants and contributions	388,728	326,908	129,164	286,324	517,892	613,232
General revenue:						-
Property taxes	4,425,035	4,295,839	-	-	4,425,035	4,295,839
State-shared revenue	1,536,420	1,535,802	-	-	1,536,420	1,535,802
Unrestricted investment earnings	219,726	121,101	240,448	157,575	460,174	278,676
Franchise fees	30,944	35,475	-	-	30,944	35,475
Transfers and other revenue	169,640	107,950	4,983	9,915	174,623	117,865
Total revenue	7,735,840	7,538,255	3,829,140	3,850,657	11,564,980	11,388,912
Program Expenses						
General government	1,606,446	2,054,918	-	-	1,606,446	2,054,918
Public safety	5,231,409	4,710,019	-	-	5,231,409	4,710,019
Public works	653,969	1,134,067	-	-	653,969	1,134,067
Recreation and culture	27,312	69,648	-	-	27,312	69,648
Community development	168,144	-	-	-	168,144	-
Other	25,292	37,969	-	-	25,292	37,969
Interest on long-term debt	71,190	77,520	-	-	71,190	77,520
Water and sewer	-	-	3,563,348	3,391,922	3,563,348	3,391,922
Total program expenses	7,783,762	8,084,141	3,563,348	3,391,922	11,347,110	11,476,063
Change in Net Assets	\$ (47,922)	\$ (545,886)	\$ 265,792	\$ 458,735	\$ 217,870	\$ (87,151)

Charter Township of Benton, Michigan

Management's Discussion and Analysis (Continued)

The Charter Township had two major budget overruns in 2005 as follows:

	Budget	Actual	Overrun
General Fund - Transfers out - Net	\$ 655,524	\$ 980,406	\$ 324,882
Police Fund - Police expenditures	2,934,000	3,030,234	96,234

The overrun in General Fund transfers out - net relates to additional transfers to the Municipal Building Fund for future building projects. As noted in the financial highlights section of this management's discussion and analysis (page 3), the General Fund performed better than anticipated during 2005. Therefore, the Charter Township was able to place these funds in the Municipal Building Fund to be reserved for future projects.

The police department overrun is mainly due to the sick and vacation payout for two retirements in the department. The police chief retirement agreement payment, recorded in 2005, also added to that department's overrun.

The Township's Funds

The most significant changes in fund balances were achieved in the General Fund, with a decrease of approximately (\$277,000) and the Water Fund with an increase of approximately \$278,000. The General Fund decrease was due to an additional \$337,000 transfer to the Municipal Building Fund for future building projects. Otherwise, the General Fund would have had a net increase of \$60,000. The Water Fund increase was due to more new water customers than anticipated. Fund balance of the Police Fund remains a major concern, with the Police Fund balance shrinking to \$65,000 or about 2 percent of current operations. Normal recommended fund balance for the Police Fund is 25 percent of operations. At the end of 2005, there were no major restrictions on fund balances.

Long-term Debt and Capital Assets

No new debt was incurred in 2005. The only major capital acquisition was the completion of the new road for the airport entrance which included lighting, demolition, and road construction costs. The Charter Township spent about \$168,000 in 2005.

The Future

Keeping the financial position of the Charter Township is and will continue to be a major challenge today and in the future.

In an effort to hold costs down and to be able to plan for the future, long-term labor agreements with 2 percent annual pay increases were reached with the Firefighters and Police Patrol Union through March 2010 and with the police command unit through 2014.

Charter Township of Benton, Michigan

Management's Discussion and Analysis (Continued)

Beginning January 1, 2006, all municipal employees are paying 2 percent of the cost of health, dental, and vision insurance. In addition, under the new labor contracts, all certified police officers are also paying a portion of their insurance premiums.

The Charter Township continues to build its tax base for the future. The 2005 tax warrant showed a \$36 million investment to date in the Charter Township renaissance zones.

The 2005 audit report is on file with the Charter Township clerk. If you have any questions about this report, please contact the Charter Township clerk's office.

Charter Township of Benton, Michigan

Statement of Net Assets December 31, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 4,333,858	\$ 5,928,688	\$ 10,262,546
Receivables:			
Taxes	3,427,114	-	3,427,114
Special assessments	235,365	1,101,363	1,336,728
Customers and others	89,866	423,022	512,888
Internal balances	(1,257,771)	1,257,771	-
Due from other governmental units	491,302	-	491,302
Long-term intergovernmental receivable	-	887,432	887,432
Bond issuance costs and other assets	-	126,412	126,412
Capital assets - Net (Note 5)	3,286,733	8,137,094	11,423,827
Total assets	10,606,467	17,861,782	28,468,249
Liabilities			
Accounts payable	165,694	144,190	309,884
Accrued and other liabilities	349,358	23,977	373,335
Accrued interest	-	73,866	73,866
Deferred revenue (Note 4)	4,381,917	-	4,381,917
Due to other governmental units	5,771	42,666	48,437
Accrued compensated absences (Note 7):			
Due within one year	269,433	-	269,433
Due in more than one year	568,681	-	568,681
Long-term debt (Note 7):			
Due within one year	120,000	95,000	215,000
Due in more than one year	1,200,000	3,230,000	4,430,000
Total liabilities	7,060,854	3,609,699	10,670,553
Net Assets			
Invested in capital assets - Net of related debt	1,966,733	4,812,094	6,778,827
Restricted for:			
Community development projects	160,083	-	160,083
Debt service	185,253	-	185,253
Drug enforcement activities	46,125	-	46,125
Unrestricted	1,187,419	9,439,989	10,627,408
Total net assets	\$ 3,545,613	\$ 14,252,083	\$ 17,797,696

Charter Township of Benton, Michigan

	Program Revenues			
	Charges for	Operating	Capital Grants	
Expenses	Services	Grants and	and	
		Contributions	Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,606,446	\$ 66,501	\$ 35,000	\$ 99,540
Public safety	5,231,409	276,897	58,961	-
Public works	653,969	521,046	6,942	85,519
Recreation and culture	27,312	-	-	-
Community development	168,144	-	-	203,669
Other	25,292	-	-	-
Interest on long-term debt	71,190	-	-	-
Total governmental activities	7,783,762	864,444	100,903	388,728
Business-type activities - Water and sewer	3,563,348	3,454,545	-	129,164
Total primary government	<u>\$ 11,347,110</u>	<u>\$ 4,318,989</u>	<u>\$ 100,903</u>	<u>\$ 517,892</u>
General revenues:				
Property taxes				
State-shared revenues				
Interest income				
Franchise fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2005

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (1,405,405)	\$ -	\$ (1,405,405)
(4,895,551)	-	(4,895,551)
(40,462)	-	(40,462)
(27,312)	-	(27,312)
35,525	-	35,525
(25,292)	-	(25,292)
(71,190)	-	(71,190)
(6,429,687)	-	(6,429,687)
-	20,361	20,361
(6,429,687)	20,361	(6,409,326)
4,425,035	-	4,425,035
1,536,420	-	1,536,420
219,726	240,448	460,174
30,944	-	30,944
169,640	4,983	174,623
6,381,765	245,431	6,627,196
(47,922)	265,792	217,870
3,593,535	13,986,291	17,579,826
<u>\$ 3,545,613</u>	<u>\$ 14,252,083</u>	<u>\$ 17,797,696</u>

Charter Township of Benton, Michigan

Governmental Funds Balance Sheet December 31, 2005

	General Fund	Police Fund	Fire Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 474,453	\$ 358,547	\$ 394,946	\$ 73,019	\$ 1,300,965
Investments (Note 3)	2,714,340	-	-	318,553	3,032,893
Receivables:					
Taxes	367,570	1,869,836	1,189,708	-	3,427,114
Special assessments	235,365	-	-	-	235,365
Customers and others	89,090	-	-	776	89,866
Due from other funds (Note 6)	50,630	462,557	250,750	534,208	1,298,145
Due from other governmental units	319,518	-	-	-	319,518
Total assets	<u>\$ 4,250,966</u>	<u>\$ 2,690,940</u>	<u>\$ 1,835,404</u>	<u>\$ 926,556</u>	<u>\$ 9,703,866</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 141,788	\$ 18,106	\$ 5,800	\$ -	\$ 165,694
Accrued and other liabilities	154,939	139,734	53,945	740	349,358
Due to other funds (Note 6)	2,555,916	-	-	-	2,555,916
Due to other governmental units	5,771	-	-	-	5,771
Deferred revenue (Note 4)	655,630	2,467,576	1,556,354	-	4,679,560
Total liabilities	3,514,044	2,625,416	1,616,099	740	7,756,299
Fund Balances					
Reserved for:					
Grant-related expenditures	-	-	-	160,083	160,083
Drug enforcement income expenditures	-	46,125	-	-	46,125
Principal and interest payments on debt	-	-	-	185,253	185,253
Unreserved, reported in:					
General Fund	736,922	-	-	-	736,922
Special Revenue Funds	-	19,399	219,305	348,215	586,919
Capital Projects Fund	-	-	-	232,265	232,265
Total fund balances	736,922	65,524	219,305	925,816	1,947,567
Total liabilities and fund balances	<u>\$ 4,250,966</u>	<u>\$ 2,690,940</u>	<u>\$ 1,835,404</u>	<u>\$ 926,556</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	3,286,733
Special assessments shown as deferred revenue in the funds	297,643
Grants receivable earned but not available are not reported in the funds	171,784
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,158,114)
Net assets of governmental activities	<u>\$ 3,545,613</u>

Charter Township of Benton, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	General Fund	Police Fund	Fire Fund	Other Non- major Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 373,225	\$ 2,477,212	\$ 1,574,598	\$ -	\$ 4,425,035
Licenses and permits	205,969	49,114	-	23,655	278,738
Federal grants	-	32,909	1,890	31,885	66,684
State sources	1,600,862	6,069	-	-	1,606,931
Charges for services	500,116	-	-	-	500,116
Interest and rentals	241,558	-	-	7,011	248,569
Revenue from sales of land	341,040	-	-	-	341,040
Other	193,640	101,514	40,285	26,554	361,993
Total revenue	3,456,410	2,666,818	1,616,773	89,105	7,829,106
Expenditures					
General government	1,542,350	-	-	-	1,542,350
Public safety	508,757	3,030,234	1,690,378	26,562	5,255,931
Other	702,117	-	-	168,144	870,261
Debt service	-	-	-	191,190	191,190
Total expenditures	2,753,224	3,030,234	1,690,378	385,896	7,859,732
Excess of Revenue Over (Under) Expenditures	703,186	(363,416)	(73,605)	(296,791)	(30,626)
Other Financing Sources (Uses)					
Transfers in	15,000	328,992	138,000	528,414	1,010,406
Transfers out	(995,406)	-	-	(15,000)	(1,010,406)
Total other financing sources (uses)	(980,406)	328,992	138,000	513,414	-
Net Change in Fund Balances	(277,220)	(34,424)	64,395	216,623	(30,626)
Fund Balances - Beginning of year	1,014,142	99,948	154,910	709,193	1,978,193
Fund Balances - End of year	<u>\$ 736,922</u>	<u>\$ 65,524</u>	<u>\$ 219,305</u>	<u>\$ 925,816</u>	<u>\$ 1,947,567</u>

Charter Township of Benton, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (30,626)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Current year capital additions	68,968
Current year allocation of depreciation	(187,074)
Current year loss on disposal of capital assets	(6,774)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (265,050)

Revenues from grants receivable are recorded in the statement of activities when the related expenditures are incurred. They are not reported in the funds until collected or collectible within 60 days of year end 171,784

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 122,604

Decreases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities 78,246

Change in Net Assets of Governmental Activities \$ (47,922)

Charter Township of Benton, Michigan

Proprietary Funds Statement of Net Assets December 31, 2005

	Sanitary Sewage System	Water System	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 2,886,501	\$ 991,307	\$ 3,877,808
Investments (Note 3)	1,025,440	1,025,440	2,050,880
Receivables:			
Special assessments	18,500	68,203	86,703
Customer and other	423,022	-	423,022
Due from other funds (Note 6)	2,850	1,305,551	1,308,401
Total current assets	4,356,313	3,390,501	7,746,814
Noncurrent assets:			
Noncurrent special assessment receivable - Net of current portion	147,651	867,009	1,014,660
Long-term intergovernmental receivable	-	887,432	887,432
Bond issuance costs and other	126,412	-	126,412
Capital assets (Note 5)	4,315,787	3,821,307	8,137,094
Total noncurrent assets	4,589,850	5,575,748	10,165,598
Total assets	8,946,163	8,966,249	17,912,412
Liabilities			
Current liabilities:			
Accounts payable	141,246	2,944	144,190
Accrued and other liabilities	17,060	6,917	23,977
Due to other funds	50,630	-	50,630
Due to other governmental units	-	42,666	-
Bond interest payable	73,866	-	73,866
Current portion of long-term debt (Note 7)	95,000	-	95,000
Total current liabilities	377,802	52,527	430,329
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	3,230,000	-	3,230,000
Total liabilities	3,607,802	52,527	3,660,329
Net Assets			
Invested in capital assets - Net of related debt	990,787	3,821,307	4,812,094
Unrestricted	4,347,574	5,092,415	9,439,989
Total net assets	<u>\$ 5,338,361</u>	<u>\$ 8,913,722</u>	<u>\$ 14,252,083</u>

Charter Township of Benton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2005

	Sanitary Sewage System	Water System	Total
Operating Revenue			
Sale of water	\$ -	\$ 1,587,918	\$ 1,587,918
Sewage disposal charges	1,866,627	-	1,866,627
Other revenue	4,983	-	4,983
Total operating revenue	1,871,610	1,587,918	3,459,528
Operating Expenses			
General operating expenses	1,510,874	1,255,292	2,766,166
Depreciation and amortization	323,061	294,073	617,134
Total operating expenses	1,833,935	1,549,365	3,383,300
Operating Income	37,675	38,553	76,228
Nonoperating Revenue (Expense)			
Interest income	127,726	112,722	240,448
Interest expense	(180,048)	-	(180,048)
Total nonoperating revenue (expense)	(52,322)	112,722	60,400
Income (Loss) Before Contributions	(14,647)	151,275	136,628
Capital Contributions	2,420	126,744	129,164
Change in Net Assets	(12,227)	278,019	265,792
Net Assets - Beginning of year	5,350,588	8,635,703	13,986,291
Net Assets - End of year	<u>\$ 5,338,361</u>	<u>\$ 8,913,722</u>	<u>\$ 14,252,083</u>

Charter Township of Benton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2005

	Sanitary Sewage System	Water System	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,876,283	\$ 1,272,805	\$ 3,149,088
Payments to suppliers	(1,161,910)	(1,086,803)	(2,248,713)
Payments to employees	(320,628)	(128,012)	(448,640)
Internal activity - Payments to other funds	818,740	(317,658)	501,082
Other receipts	4,983	-	4,983
Net cash provided by (used in) operating activities	1,217,468	(259,668)	957,800
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments (principal and interest)	39,185	66,854	106,039
Purchase of capital assets	-	(158,253)	(158,253)
Principal and interest paid on capital debt	(277,027)	-	(277,027)
Proceeds from contributed capital	2,420	126,744	129,164
Net cash provided by (used in) capital and related financing activities	(235,422)	35,345	(200,077)
Cash Flows from Investing Activities			
Interest received on investments	118,459	58,258	176,717
Purchase of investment securities	(17,627)	(17,627)	(35,254)
Net cash provided by investing activities	100,832	40,631	141,463
Net Increase (Decrease) in Cash and Cash Equivalents	1,082,878	(183,692)	899,186
Cash and Cash Equivalents - Beginning of year	1,803,623	1,174,999	2,978,622
Cash and Cash Equivalents - End of year	\$ 2,886,501	\$ 991,307	\$ 3,877,808

Charter Township of Benton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2005

	Sanitary Sewage System	Water System	Total
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 37,675	\$ 38,553	\$ 76,228
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	323,061	294,073	617,134
Changes in assets and liabilities:			
Receivables	9,656	(315,113)	(305,457)
Due from other funds	768,110	(317,658)	450,452
Accounts payable	52,933	2,233	55,166
Accrued and other liabilities	(24,597)	3,366	(21,231)
Due to other funds	50,630	34,878	85,508
Net cash provided by (used in) operating activities	<u>\$ 1,217,468</u>	<u>\$ (259,668)</u>	<u>\$ 957,800</u>

Noncash Investing, Capital, and Financing Activities - There were no noncash activities during the year ended December 31, 2005.

Charter Township of Benton, Michigan

Fiduciary Funds Statement of Net Assets December 31, 2005

	Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 91,237	\$ 642,764
Investments (Note 3):		
Certificate of deposits	297,672	-
Corporate bonds	1,893,582	-
U.S. government securities	2,708,520	-
Common stock	7,657,420	-
Bank investment pool funds	769,798	-
Other assets	63,049	-
Total assets	13,481,278	642,764
Liabilities - Due to other governmental units	-	642,764
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 13,481,278</u>	<u>\$ -</u>

Charter Township of Benton, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2005

	Trust Funds
Additions	
Investment income:	
Interest and dividends	\$ 401,836
Net increase in fair value of investments	12,233
Net investment income	414,069
Contributions:	
Employer	322,891
Employee	125,078
Total contributions	447,969
Total additions	862,038
Deductions	
Benefit payments	761,615
Administrative expenses	40,842
Total deductions	802,457
Net Increase in Net Assets Held in Trust	59,581
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	13,421,697
End of year	<u><u>\$ 13,481,278</u></u>

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Benton, Michigan (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Benton, Michigan:

Reporting Entity

The Charter Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Charter Township. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the financial statements.

The Police and Fire Retirement System has been blended into the Charter Township's financial statements as the Pension Trust Fund. The system is governed by a five-member pension board that includes three individuals chosen by the Charter Township board. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the Charter Township retains relative to the operations of the retirement system.

The Charter Township has excluded the Housing Commission from this report since the Charter Township is not able to impose its will on the Housing Commission. The Housing Commission was created by ordinance of the Charter Township of Benton, Michigan. The purpose is to provide safe, sanitary, and decent housing for qualifying senior and low-income families.

In August 2003, the Charter Township created a Brownfield Redevelopment Authority to revitalize selected environmentally distressed areas within the Charter Township limits. The Authority had no assets as of December 31, 2005 and no activity for the year then ended.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Charter Township reports the following major governmental funds:

General Fund - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Police Fund - The Police Fund accounts for the activities of the police protection department.

Fire Fund - The Fire Fund accounts for the activities of the fire protection department.

The Charter Township reports the following major proprietary funds:

Sanitary Sewage System Fund - The Sanitary Sewage System Fund accounts for the activities of the sewage collection system.

Water System Fund - The Water System Fund accounts for the activities of the water distribution system.

Additionally, the Charter Township reports the following fiduciary fund types:

Agency Funds - The Agency Funds account for assets held by the Charter Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Trust Funds - The Trust Funds account for the activities of the police and fire employees' retirement system and retiree health insurance fund by accumulating resources for pension benefit payments and health insurance premium payments for qualified employees and retirees.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's water and sewer function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water Fund and Sanitary Sewage Fund also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Charter Township's 2004 tax is levied on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Charter Township totaled \$361.9 million, on which taxes levied consisted of 0.9785 mills for general operating purposes and 6.9840 and 4.4910 for police and fire operations, respectively. This resulted in approximately \$350,000 for operating and \$2.5 million and \$1.6 million for police and fire services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer treatment system	10 to 50 years
Buildings and building improvements	15 to 50 years
Vehicles	5 to 7 years
Tools and equipment	5 to 7 years

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Charter Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2005	\$ (641,418)
Current year building permit revenue	163,123
Related expenses - Direct costs	<u>(410,922)</u>
Current year shortfall	<u>(247,799)</u>
Cumulative shortfall	<u><u>\$ (889,217)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

The Charter Township has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with the State statutory authority as listed above. The Charter Township's deposits and investment policies are in accordance with statutory authority.

The Charter Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township does not have a deposit policy for custodial credit risk. At year end, the Charter Township had \$10,221,559 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Charter Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Charter Township's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. government or agency bond or notes	\$ 2,708,520	Counterparty's trust dept.
Commercial paper	297,672	Counterparty's trust dept.
Corporate bonds	1,893,582	Counterparty's trust dept.
Corporate stocks	7,657,420	Counterparty's trust dept.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Sweep accounts	\$ 28,511	14 days
Sweep accounts	481,796	30 days
Mutual funds	92,445	3.0 years
Mutual funds	62,898	1.7 years
Mutual funds	104,148	4.4 years
U.S. government or agency bonds	2,708,521	3.6 years
Corporate bonds (pension)	2,191,254	2.5 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Charter Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Corporate bonds	\$ 203,710	Aaa	Moody's
Corporate bonds	258,018	Aa2	Moody's
Corporate bonds	510,321	Aa3	Moody's
Corporate bonds	518,100	A1	Moody's
Corporate bonds	203,461	A2	Moody's
Corporate bonds	99,948	A3	Moody's
Corporate bonds	100,024	Baa3	Moody's

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

The Charter Township places no limit on the amount it may invest in any one issuer. No more than 5 percent of the Charter Township's investments are invested in any one issuer.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental Activities
	Unavailable	Unearned	Total	Unearned
Property taxes	\$ -	\$ 4,349,897	\$ 4,349,897	\$ 4,349,897
Woodridge Place Subdivision deposits	-	2,000	2,000	2,000
Special assessments	297,643	-	297,643	-
Police Block Grant payments received prior to making expenditures	-	30,020	30,020	30,020
Total	\$ 297,643	\$ 4,381,917	\$ 4,679,560	\$ 4,381,917

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 5 - Capital Assets

Capital asset activity of the Charter Township's governmental and business-type activities was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 507,149	\$ 3,662	\$ 578	\$ 510,233
Capital assets being depreciated:				
Buildings and improvements	3,375,838	-	-	3,375,838
Vehicles	1,826,114	-	63,011	1,763,103
Tools and equipment	720,446	65,306	-	785,752
Subtotal	5,922,398	65,306	63,011	5,924,693
Accumulated depreciation:				
Buildings and improvements	1,000,239	60,716	-	1,060,955
Vehicles	1,438,569	83,588	56,815	1,465,342
Tools and equipment	579,126	42,770	-	621,896
Subtotal	3,017,934	187,074	56,815	3,148,193
Net capital assets being depreciated	2,904,464	(121,768)	6,196	2,776,500
Net capital assets	<u>\$ 3,411,613</u>	<u>\$ (118,106)</u>	<u>\$ 6,774</u>	<u>\$ 3,286,733</u>

	Balance January 1, 2005	Additions	Balance December 31, 2005
Business-type Activities			
Capital assets not being depreciated -			
Land	\$ 34,628	\$ -	\$ 34,628
Capital assets being depreciated:			
Utility system	17,552,108	133,026	17,685,134
Vehicles	168,769	-	168,769
Other tools and equipment	164,839	25,227	190,066
Subtotal	17,885,716	158,253	18,043,969
Accumulated depreciation:			
Utility system	9,111,313	589,151	9,700,464
Vehicles	159,725	3,618	163,343
Other tools and equipment	59,652	18,044	77,696
Subtotal	9,330,690	610,813	9,941,503
Net capital assets being depreciated	8,555,026	(452,560)	8,102,466
Net capital assets	<u>\$ 8,589,654</u>	<u>\$ (452,560)</u>	<u>\$ 8,137,094</u>

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the Charter Township as follows:

Governmental activities:

General government	\$ 48,746
Public safety	110,143
Public works	25,292
Recreation and culture	<u>2,893</u>

Total governmental activities	<u>\$ 187,074</u>
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Business-type activities:

Sanitary Sewage System Fund	\$ 316,740
Water System Fund	<u>294,073</u>

Total business-type activities	<u>\$ 610,813</u>
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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Governmental funds:		
General Fund	Sanitary Sewage System Fund	\$ 50,630
Police Fund	General Fund	462,557
Fire Fund	General Fund	250,750
Other governmental funds	General Fund	<u>534,208</u>
Total governmental funds		1,298,145
Proprietary funds:		
Water System Fund	General Fund	1,308,401
Water System Fund	Sanitary Sewage System Fund	<u>2,850</u>
Total proprietary funds		<u>1,311,251</u>
Total interfund receivables		<u>\$ 2,609,396</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Fund	\$ 328,992
General Fund	Fire Fund	138,000
General Fund	Debt Service Fund	528,414
Community Development Fund	General Fund	15,000
Total		<u>\$ 1,010,406</u>

The transfer from the General Fund to the Debt Service Fund is to cover all debt service requirements for the upcoming year. The transfers from the General Fund to the Police and Fire Funds are to subsidize operating costs of these funds.

Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter Township. Municipal contractual agreements and leases are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Municipal contract	4.99%	2016	\$ 1,440,000	\$ -	\$ 120,000	\$ 1,320,000	\$ 120,000
Lease payable	19.68%	2005	2,604	-	2,604	-	-
Total governmental installment debt			1,442,604	-	122,604	1,320,000	120,000
Accumulated employee benefits			916,360	7,655	85,901	838,114	269,433
Total governmental activities			2,358,964	7,655	208,505	2,158,114	389,433
Business-type Activities -							
General obligation bonds	5.0-5.5%	2025	3,420,000	-	95,000	3,325,000	95,000
Total outstanding debt			<u>\$ 5,778,964</u>	<u>\$ 7,655</u>	<u>\$ 303,505</u>	<u>\$ 5,483,114</u>	<u>\$ 484,433</u>

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 120,000	\$ 65,253	\$ 185,253	\$ 95,000	\$ 177,278	\$ 272,278
2007	120,000	59,181	179,181	100,000	172,526	272,526
2008	120,000	53,260	173,260	105,000	167,528	272,528
2009	120,000	47,039	167,039	115,000	162,278	277,278
2010-2014	600,000	144,211	744,211	660,000	719,678	1,379,678
2015-2019	240,000	15,170	255,170	855,000	528,302	1,383,302
2020-2024	-	-	-	1,130,000	266,200	1,396,200
2025	-	-	-	265,000	14,575	279,575
Total	<u>\$ 1,320,000</u>	<u>\$ 384,114</u>	<u>\$ 1,704,114</u>	<u>\$ 3,325,000</u>	<u>\$ 2,208,365</u>	<u>\$ 5,533,365</u>

Note 8 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation and in the Michigan Townships Participating Plan for all other claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 9 - Postemployment Benefits

The Charter Township provides health care benefits at retirement to all employees covered under the police and fire retirement system, in accordance with labor contracts. Currently, 16 retirees are eligible. The Charter Township includes pre-Medicare retirees and their dependents in its insured health care plan, and pays the monthly premium cost up to \$400 for all police and fire retirement system participants. The participant must pay any balance. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$90,000.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 9 - Postemployment Benefits (Continued)

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 10 - Pension Plan

Plan Description

The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the Charter Township of Benton Police and Fire Employees Retirement System; this plan covers all full-time police and fire employees of the Charter Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2005, the date of the most recent actuarial valuation, membership consisted of 39 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 45 current active employees. The plan does not issue a separate financial report.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Charter Township's competitive bargaining units and requires a contribution from the employees of 6.5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Charter Township of Benton, Michigan

Notes to Financial Statements December 31, 2005

Note 10 - Pension Plan (Continued)

Annual Pension Cost

For the year ended December 31, 2005, the Charter Township's annual pension cost of \$195,359 for the plan was greater than the Charter Township's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increase of 4 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period.

Reserves

As of December 31, 2005, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 2,019,363
Reserve for retired benefit payments	10,814,057

Three-year Trend Information

	Year Ended December 31		
	2003	2004	2005
Annual pension cost (APC)	\$ -	\$ -	\$ 195,359
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Note 11 - Defined Contribution Retirement Plan

The Charter Township provides pension benefits to all of its full-time employees (except police and fire) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Benton Charter Township board, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent of earnings. In accordance with these requirements, the Charter Township contributed approximately \$130,000 during the current year and employees contributed approximately \$67,000.

Required Supplemental Information

Charter Township of Benton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original and Amended Budget	Actual	Variance
Revenue			
Taxes	\$ 364,900	\$ 373,225	\$ 8,325
Licenses and permits	185,100	205,969	20,869
State sources	1,455,000	1,600,862	145,862
Charges for services	486,000	500,116	14,116
Interest	87,000	241,558	154,558
Revenue from sales of land	450,000	341,040	(108,960)
Other revenue	100,000	193,640	93,640
Total revenue	3,128,000	3,456,410	328,410
Expenditures			
General government:			
Township board	673,600	599,720	73,880
Supervisor	81,000	78,591	2,409
Elections	67,000	79,350	(12,350)
Assessor	320,000	296,167	23,833
Clerk	278,000	205,880	72,120
Board of Review	4,000	1,449	2,551
Zoning Board of Appeals	3,000	3,251	(251)
Treasurer	94,000	79,455	14,545
Township Hall and grounds	146,000	101,371	44,629
Planning Commission	13,000	11,263	1,737
Community and Economic Development	89,000	85,853	3,147
Total general government	1,768,600	1,542,350	226,250
Public safety:			
Building	420,000	410,922	9,078
Ordinance officer	92,000	97,835	(5,835)
Total public safety	512,000	508,757	3,243

Charter Township of Benton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Original and Amended Budget	Actual	Variance
Expenditures (Continued)			
Other:			
Street lighting	\$ 115,000	\$ 107,426	\$ 7,574
Trash and rubbish	499,000	432,783	66,217
Highways, streets, and bridges	167,000	79,271	87,729
Park	76,000	48,148	27,852
Garage	60,000	34,489	25,511
Total other	917,000	702,117	214,883
Total expenditures	3,197,600	2,753,224	444,376
Excess of Revenue Over (Under)			
Expenditures	(69,600)	703,186	772,786
Other Financing Uses - Transfers out - Net	(655,524)	(980,406)	(324,882)
Excess of Expenditures and Other Financing Uses Over Revenue	(725,124)	(277,220)	447,904
Fund Balance - Beginning of year	1,014,142	1,014,142	-
Fund Balance - End of year	<u>\$ 289,018</u>	<u>\$ 736,922</u>	<u>\$ 447,904</u>

Charter Township of Benton, Michigan

Required Supplemental Information Budgetary Comparison Schedule Police Fund Year Ended December 31, 2005

	Original and Amended Budget	Actual	Variance
Revenue			
Taxes	\$ 2,465,000	\$ 2,477,212	\$ 12,212
Licenses and permits	15,000	49,114	34,114
Federal sources	44,000	32,909	(11,091)
State sources	-	6,069	6,069
Other revenue	41,000	101,514	60,514
Total revenue	2,565,000	2,666,818	101,818
Police Expenditures	2,934,000	3,030,234	(96,234)
Excess of Expenditures Over Revenue	(369,000)	(363,416)	5,584
Other Financing Sources - Transfers in	329,000	328,992	(8)
Excess of Expenditures Over Revenue and Other Financing Sources	(40,000)	(34,424)	5,576
Fund Balance - Beginning of year	99,948	99,948	-
Fund Balance - End of year	<u>\$ 59,948</u>	<u>\$ 65,524</u>	<u>\$ 5,576</u>

Charter Township of Benton, Michigan

Required Supplemental Information Budgetary Comparison Schedule Fire Fund Year Ended December 31, 2005

	Original and Amended Budget	Actual	Variance
Revenue			
Taxes	\$ 1,573,400	\$ 1,574,598	\$ 1,198
Federal sources	-	1,890	1,890
Other revenue	<u>16,600</u>	<u>40,285</u>	<u>23,685</u>
Total revenue	1,590,000	1,616,773	26,773
Fire Expenditures	<u>1,760,000</u>	<u>1,690,378</u>	<u>69,622</u>
Excess of Expenditures Over Revenue	(170,000)	(73,605)	96,395
Other Financing Sources - Transfers in	<u>138,000</u>	<u>138,000</u>	<u>-</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	(32,000)	64,395	96,395
Fund Balance - Beginning of year	<u>154,910</u>	<u>154,910</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 122,910</u></u>	<u><u>\$ 219,305</u></u>	<u><u>\$ 96,395</u></u>

Charter Township of Benton, Michigan

Required Supplemental Information Police and Fire Employees' Pension System Schedule of Funding Progress December 31, 2005

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/99	\$ 13,572,443	\$ 10,365,971	\$ (3,206,472)	130.9	\$ 1,766,000	(181.6)
12/31/00	14,489,505	11,241,407	(3,248,098)	128.9	2,027,988	(160.2)
12/31/01	15,031,008	11,826,984	(3,204,024)	127.1	2,095,644	(152.9)
12/31/02	14,917,190	12,430,450	(2,486,740)	120.0	2,122,210	(117.2)
12/31/03	14,561,567	13,288,345	(1,273,222)	109.6	2,288,623	(55.6)
12/31/04	14,057,892	14,691,688	633,796	95.7	2,437,753	26.0

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
12/31/00	12/31/98	\$ -	100.0
12/31/01	12/31/99	-	100.0
12/31/02	12/31/00	-	100.0
12/31/03	12/31/01	-	100.0
12/31/04	12/31/02	-	100.0
12/31/05	12/31/03	-	100.0

* The required contribution is expressed to the Charter Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actuarial valuation, is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	10 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.0%
*Includes inflation at	4.0%
Cost of living adjustments	None

Charter Township of Benton, Michigan

Note to Required Supplemental Information December 31, 2005

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The budgets are prepared by the Charter Township controller and approved by the Charter Township board prior to the start of the fiscal year. The budget was not amended during the year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Benton, Michigan incurred expenditures that were significantly in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund - Transfers out - Net	\$ 655,524	\$ 980,406
Police Fund - Police expenditures	2,934,000	3,030,234

Other Supplemental Information

Charter Township of Benton, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

	Rental Ordinance	Community Development	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets					
Cash and equivalents	\$ -	\$ 73,019	\$ -	\$ -	\$ 73,019
Investments	-	86,288	-	232,265	318,553
Receivables - Net	-	776	-	-	776
Due from other funds	<u>14,728</u>	<u>-</u>	<u>519,480</u>	<u>-</u>	<u>534,208</u>
Total assets	<u>\$ 14,728</u>	<u>\$ 160,083</u>	<u>\$ 519,480</u>	<u>\$ 232,265</u>	<u>\$ 926,556</u>
Liabilities and Fund Balances					
Liabilities - Accrued and other liabilities	\$ 740	\$ -	\$ -	\$ -	\$ 740
Fund Balances					
Reserved	-	160,083	519,480	-	679,563
Unreserved	<u>13,988</u>	<u>-</u>	<u>-</u>	<u>232,265</u>	<u>246,253</u>
Total fund balances	<u>13,988</u>	<u>160,083</u>	<u>519,480</u>	<u>232,265</u>	<u>925,816</u>
Total liabilities and fund balances	<u>\$ 14,728</u>	<u>\$ 160,083</u>	<u>\$ 519,480</u>	<u>\$ 232,265</u>	<u>\$ 926,556</u>

Charter Township of Benton, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended December 31, 2005

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Rental Ordinance	Community Development	Debt Service Fund	Capital Projects	
Revenue					
Licenses and permits	\$ 23,655	\$ -	\$ -	\$ -	\$ 23,655
Federal grants	-	31,885	-	-	31,885
Interest income	-	-	-	7,011	7,011
Other	-	26,554	-	-	26,554
Total revenue	23,655	58,439	-	7,011	89,105
Expenditures					
Current:					
Public safety	26,562	-	-	-	26,562
Other	-	168,144	-	-	168,144
Debt service:					
Principal	-	-	120,000	-	120,000
Interest	-	-	71,190	-	71,190
Total expenditures	26,562	168,144	191,190	-	385,896
Excess of Revenue Over (Under) Expenditures	(2,907)	(109,705)	(191,190)	7,011	(296,791)
Other Financing Sources (Uses) -					
Transfers in (out)	-	(15,000)	528,414	-	513,414
Net Change in Fund Balances	(2,907)	(124,705)	337,224	7,011	216,623
Fund Balances - Beginning of year	16,895	284,788	182,256	225,254	709,193
Fund Balances - End of year	<u>\$ 13,988</u>	<u>\$ 160,083</u>	<u>\$ 519,480</u>	<u>\$ 232,265</u>	<u>\$ 925,816</u>

Charter Township of Benton, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds December 31, 2005

	Pension Trust	Retiree Health Insurance	Total	Current Tax Collections	Delinquent Tax	Total
Assets						
Cash and equivalents	\$ 91,237	\$ -	\$ 91,237	\$ 461,921	\$ 180,843	\$ 642,764
Investments	12,679,134	647,858	13,326,992	-	-	-
Other assets	63,049	-	63,049	-	-	-
Total assets	<u>\$ 12,833,420</u>	<u>\$ 647,858</u>	<u>\$ 13,481,278</u>	<u>\$ 461,921</u>	<u>\$ 180,843</u>	<u>\$ 642,764</u>
Liabilities - Due to other governmental units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,921</u>	<u>\$ 180,843</u>	<u>\$ 642,764</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 12,833,420</u>	<u>\$ 647,858</u>	<u>\$ 13,481,278</u>			

Charter Township of Benton, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Trust Funds Year Ended December 31, 2005

	Pension Trust	Retiree Health Insurance	Total
Additions			
Investment income:			
Interest and dividends	\$ 387,769	\$ 14,067	\$ 401,836
Net increase (decrease) in fair value of investments	<u>(2,072)</u>	<u>14,305</u>	<u>12,233</u>
Net investment income	385,697	28,372	414,069
Contributions:			
Employer	168,987	153,904	322,891
Employee	<u>125,078</u>	<u>-</u>	<u>125,078</u>
Total additions	679,762	182,276	862,038
Deductions			
Benefit payments	672,028	89,587	761,615
Administrative expenses	<u>39,040</u>	<u>1,802</u>	<u>40,842</u>
Total deductions	<u>711,068</u>	<u>91,389</u>	<u>802,457</u>
Net Increase (Decrease) in Net Assets	(31,306)	90,887	59,581
Net Assets Held in Trust for Benefits			
Beginning of year	<u>12,864,726</u>	<u>556,971</u>	<u>13,421,697</u>
End of year	<u>\$ 12,833,420</u>	<u>\$ 647,858</u>	<u>\$ 13,481,278</u>

To the Members of the Township Board
Charter Township of Benton, Michigan
1725 Territorial Road
Benton Harbor, Michigan 49022

In planning and performing our audit of the financial statements of the Charter Township of Benton, Michigan (the "Township") for the year ended December 31, 2005, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

Financial Overview

During the year ended December 31, 2005, the Township's overall financial condition continued to be strong, with each fund having positive fund balance at the end of the year. Approximate increases (decreases) in fund balances/retained earnings for the year ended December 31, 2005 are as follows: General Fund - \$(277,000), Police - \$(34,000), Fire - \$64,000, Water Fund - \$278,000, and Sewer Fund - \$(12,000). In the General Fund, Police Fund, and Fire Fund, the decreases in fund balances were less than budget by the following amounts: \$433,000, \$5,600, and \$96,000, respectively. In fact, the Fire Fund actually experienced an increase in fund balance rather than the budgeted decrease. We compliment the board on its sound budgeting practices and planning processes. By maintaining a strong General Fund fund balance, the Township is able to adjust to financial changes without the need for drastic reactions to adverse circumstances.

Control Over Manual Journal Entries

Through our discussions with management, it was noted that all manual journal entries are initiated, entered, and reviewed by the same person. We continue to recommend an independent review of all manual entries and related documentation on a monthly basis. This will strengthen the Township's internal controls.

To the Members of the Township Board
Charter Township of Benton, Michigan

ACH/Electronic Transfer Resolution

The Township continues to utilize ACH or electronic transfer transactions for payroll, but does not have a board-approved policy for these types of transactions. The State of Michigan requires board-approved resolutions to authorize these transactions. We have provided a sample resolution to management and strongly urge the Township board to approve a resolution for these types of transactions at its earliest opportunity.

Intergovernmental Receivable

The amount due to the Township from the City of Benton Harbor (the “City”) for water collections is continuing to grow, leaving a balance at December 31, 2005 of approximately \$890,000. The Township has not received payment from the City in several years. As the collectibility of this amount may begin to come into question, the Township should pursue payment options with the City.

Capital Asset Policy

The Township board has not yet approved an official policy for the recording of capital assets. This policy should indicate the estimated useful lives for different types of assets and the threshold for capitalization of assets. We would be happy to provide a sample resolution at the request of management or the board.

Local Government Finance Model

In 2005, the governor created a Local Government Fiscal Task Force to study the financial challenges of Michigan local governments. While their report was originally due by November 30, 2005, the Local Government Fiscal Task Force held its first meeting in September 2005. A report from this group is expected in 2006. Unrelated to the Local Government Fiscal Task Force, Citizens Research Council is conducting a study focused on documenting the nature and extent of structural fiscal problems facing local governments and to catalogue local services and activities for local units (with the intention that local governments will use this information to study the possibility of greater collaborative efforts to optimize government resources).

State-shared Revenue

The State’s fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue-sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The governor’s proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue-sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

To the Members of the Township Board
Charter Township of Benton, Michigan

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue-sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

State-shared revenue accounts for approximately 44 percent of the Township's total General Fund revenue. The table below details state-shared revenue for the Township over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2000.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2000</u>
2000	\$ 658,749	\$ 1,163,432	\$ 1,822,181	\$ -
2001	772,479	1,064,491	1,836,970	(14,789)
2002	772,074	1,075,335	1,847,409	(25,228)
2003	641,260	1,093,539	1,734,799	87,382
2004	477,493	1,081,662	1,559,155	263,026
2005	434,685	1,107,475	1,542,160	280,021
2006	397,219	1,135,106	1,532,325	289,856

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$400,000 at risk in its General Fund budget based on 2005 funding levels. We will continue to update the Township as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.

Retiree Health Care Benefits

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. Therefore, the manner in which retiree health care benefits are budgeted will not change, unless you begin funding the benefits (however, as discussed below, there are incentives to do so).

To the Members of the Township Board
Charter Township of Benton, Michigan

The pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government-wide statement of net assets.

This valuation will need to be performed by an actuary if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. For plans with 100 to 200 participants, the actuarial valuation must be at least every three years; for those over 200 participants, at least every other year.

This statement is being phased in over a three-year period, similar to GASB No. 34. It is effective for fiscal years beginning after December 15, 2006, 2007, or 2008 depending on whether your revenues are over \$100 million, between \$10 million and \$100 million, or under \$10 million. For the Township, implementation would be in the year 2009. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months' lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates.

The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the normal fairness issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year's contribution. Continuing to fund the contribution as the Township has done in the past will actually reduce your long-term cost.

Plante & Moran, PLLC

April 28, 2006